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## REPORT

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3. An achievement of this decentralization, probably desired by the Communists, is the hiding of any results, good and bad, but the method is catastrophic as far as economy is concerned. Planning starts with assumed results, disregarding influences which directly affect the plans. Such influences would include the capacity of the individual workers, the so-called narrow profits in connection with foreign currency, transport difficulties, the quality of raw materials, the capacity of the machines, and so on. In addition, the people participating in such planning always draw a completely optimistic picture, either because of fear or opportunism.
  4. The following factors play the most important negative roles in the Czechoslovak economy:
    - (a) Its activities are directed toward the exclusive profit and political interests of the USSR and the Cominform.
    - (b) With the methods used, this goal cannot be reached.
- Thus, the Czech economy travels in a vicious circle. Even were there a wish to fulfill Soviet orders, impassable obstacles are created by technical and organizational faults. These faults in turn are the reason for new Soviet directives concerning methods and planning.
5. If for some reason the plan is not followed, the Soviets will stop delivery of vital raw materials and simultaneously raise the already much too high requirements. At the same time, penalties will be assigned, so that the strong political pressure will be increased. The result of all this is increased pressure and terror downward in the Czech economy. Better results are promised, new planning is started, with the same negative results since Soviet demands have increased. So it continues: increasing demands create pressure and terror, the economy sinks hopelessly as a result of improvisations, half-finished planning and poorly created measures. The living standard of the individual Czech naturally sinks.
  6. All future political and economic developments must be considered in this light. The driving force is in Moscow and Moscow pockets the profit, if any. Even the latest changes in the Czech Government have to be considered from this point of view. With the expulsion of certain leading elements, radical subjects of the Kremlin, untrue announcement was made that economic pressure would diminish. The public was promised more national independence through the apparent elimination of some ruthless fanatically pro-Soviet individuals; this was done to create good will among the working class and thereby bring about higher and better production. But the vicious circle remains. Now the government offices will work independently and will know only about their own work and about their own plan. The general management that used to represent at least some kind of top authority was replaced by a number of independent offices which are informed only from one side. There is a kinder attitude toward the political situation but the economy is still paralyzed and no positive results can be obtained.
  7. Czechoslovakia is compelled to trade with other countries in order to obtain the things she needs for any kind of normal life. Before World War II, Czechoslovakia's foreign trade of course was designed to care

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only for her own needs; the trade was well oriented toward the West; and products were repaid with a decent foreign value. Czechoslovakia must still trade with other nations, but because of the Soviet orders which she must fulfill, she cannot bring to the market goods that produce a decent profit:

- (a) She can produce only what the USSR directs
- (b) She can export only what the USSR directs
- (c) She can accept only values that the USSR permits
- (d) She can place on her own market only what the USSR permits
- (e) She can buy only where the USSR permits.

The USSR is flexible insofar as the last point is concerned. In the event Czechoslovakia cannot buy goods for production ordered by the USSR, the goods must be procured on a "take it where you can find it" basis, and this is often at a considerable loss, in both gold and currency reserves. The Soviet reply to complaint on this score is that in a true socialist state gold reserves are not needed. Even were that so, the Soviet regime should not rob the Czech worker by preventing a normal foreign trade; but it does this through its control of 75% of Czech foreign trade. Another popular opinion of Marxist economists is that the Czech national debt is growing continuously. It may be true that the debt is growing despite the fact that the people work under the most economical conditions and that the standard of living is falling; but it does not seem logical.

8. Under the present system, the results of Czech labor, when not swallowed by the USSR, still do not return to the manufacturing and production industries of the country. Instead, they are either invested in some far-projected and questionable building project of Czech heavy industry, or stored in the form of products in huge state storage rooms. These state storages are somewhat of a mystery. They are continually being added to and swallow goods worth millions of koruny. There are various explanations for this hoarding: the goods may be reserves for wartime use or perhaps the goods are being secretly moved somewhere to the east "for security reasons". No profit, even in rubles, is ever realized from the storages.
9. It is hard to understand what drives the USSR, otherwise so coldly calculating, to such extreme and illogical measures against the Czech economy. The direct consequence of the measures is sure to be a complete collapse of the Czech economy. It is possible that the reason stems from long-range international political strategy; but the price being paid for whatever goal is desired is very high. Whatever the aim of the Soviets, the Czechs and their country are suffering enormously.

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